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ARIZONA CORPORATION COMMISSION

August 18, 2004

Chairman Spitzer
Commissioner Hatch-Miller
Commissioner Gleason
Commissioner Mayes
Parties of Record

Re: In the Matter of the Reorganization of UniSource Energy Corporation;
Docket No. E-04230-03-0933

Dear Colleagues and Parties:

The purpose of this letter is to reflect my concerns with the August 2, 2004 letter from UniSource Energy counsel listing three conditions for Commission review of the Ernst & Young report on TEP's 2004 rate case. At this time, I do not believe we can reconcile fundamental due process with the letter's limitations on release and review of portions of the report to Commissioners only.

One of my primary concerns with the letter's proposal is that it would require a Commissioner to agree before any review, that no public use or reference to the report will be made. This restriction would prohibit me from questioning the parties about the report or addressing it at a public meeting. If I find the report relevant to my consideration of this case, I would be precluded from even disclosing that fact in the record under the letter's terms. Due process requires that the parties to the docket have access to relevant information as well as the Commissioners. The parties' opportunity to review relevant matters that may be a basis for a Commissioner's decision is an essential part of the record protected by due process.

In light of the above, I am suggesting that the parties meet and confer to find a way to accommodate the confidentiality concerns identified in UniSource Energy counsel's August 2, 2004 letter with the obvious due process issues raised by the letter's restrictive conditions for release and review of the report. Alternatively or in addition, the parties should feel free to file proposals that may reconcile the issues raised herein. Also, a procedural conference may be helpful to reach a resolution that accommodates due process and the confidentiality of the report.

On a related matter, during the course of the hearings I requested access to the independent analyses performed by each acquiring Applicant (i.e. the limited partners)

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regarding each Applicant's projection of its individual rate of return. The response from the panel participants was that they would need to check with their respective attorneys prior to any agreement to release that proprietary and confidential information. To date, we have had no response to my query and the August 2, 2004 letter is silent on this issue.

I would appreciate a written response in this docket from the panel participants or their counsel. It is my hope that the Applicants will agree to make those reports available in a manner that does not pit due process against an alleged need for confidentiality.

I look forward to a timely resolution for release and review of potentially relevant information in compliance with due process for the Ernst & Young report referred to in the August 2, 2004 letter and my request to the Applicants for release and review of their individual reports.

Sincerely,

A handwritten signature in black ink, reading "William A. Mundell". The signature is fluid and cursive, with the first name "William" and last name "Mundell" clearly legible.

William A. Mundell, Commissioner
Arizona Corporation Commission

cc: Brian McNeil
Ernest Johnson